

CITY OF MATLOSANA
ANNUAL FINANCIAL STATEMENTS
For the year ended
30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 60, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MM Moadira
Municipal Manager

29 August 2008

Date

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CITY OF MATLOSANA –

FINANCIAL REPORT FOR THE YEAR ENDING 30 JUNE 2008

I have pleasure in presenting my annual financial report together with the Financial Statements, which are still subject to audit, for the year ended 30 June 2008.

1. INTRODUCTION

One of the six strategic pillars that form strategic focus of Matlosana Municipality is financial stability. In his budget speech for the 2007/2008 financial year, the Executive Mayor emphasized the approach to secure sound and sustainable management of the fiscal and financial affairs of Matlosana Municipality. The Executive Mayor furthermore stressed important issues like transparency; accountability and appropriate lines of responsibility in the fiscal and financial affairs of the municipality. The commitment to manage the fiscal dealings of the municipality; especially the management of revenue; expenditure; assets and liabilities is critical for a sound financial sustainability for the City to achieve its strategic objectives.

The plans that were put in place to improve financial management include, budget reform, the implementation of improved asset registers which is now nearing completion; bringing accounting systems in line with General Accepted Municipal Accounting Practices (GAMAP), certain Standards of General Recognized Accounting Practices (GRAP) as well as moving towards compliance with International Financial reporting and accounting standards. The performance driven management will further enhance service delivery and is aimed to hold the different divisions of Council accountable for their actions. The results are reported to the public every year and proper oversight exists that will monitor progress and performance. All these measures are aimed at improving effectiveness, efficiency and promote the economical usage of limited resources.

Financial stability is further achieved by the following basic principles that are applied in Council on a regular basis.

- Focus on long- and short term financial objectives.
- Maintain sufficient financial liquidity through regular reviews and adjustments to meet normal operating and contingent obligations.
- Apply debt collection policies which maximize collection while providing relief to indigent consumers.
- Apply the concept of free basic services to the poor.
- Maintaining assets in a responsible manner.
- Provide a framework for prudent use of debt financing.
- Direct the city's financial resources towards meeting the goals of the city in terms of the Integrated Development Plan (IDP).
- Develop and implement internal controls.

The Municipal Finance Management Act (MFMA) is the main piece of legislation that controls financial management and accountability. Huge progress has been made in Matlosana with the implementation of the Act.

The original budget for the year was approved during May 2007. During the reporting period an adjustment budget was presented and approved by Council. The 2007/08 budget provided for additional resources allocated towards the improvement of services delivery.

2. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The Annual Financial Statements are based on the following principals:

- The new budget formats prescribed by National Treasury
- Accordance with South Africa Statements of Generally Recognized Accounting Practice.
- Certain International Accounting Standards.
- The Municipal Finance Management Act.
- The Division of Revenue Act.
- Other legislation applicable to municipal finance management.

Certain of the new accounting standards have been exempted by the Minister of Finance. These exemptions have been indicated in the accounting policy. The exemptions that have not been implemented at this stage are the following.

Standard	Description of standard	Extend to which the information in the financial statement has to be changed
GAMAP 12	Inventories	Inventory of unsold water which was not recognised in the financial statements for the financial year 2006/07 due to the exemption granted in Gazette 30013 has been recognised. It is calculated based on the buying cost of the water stock as at 30 June 2008.
GAMAP 17	Property, plant and equipment (Note exemption of certain aspects of the standard in Notice 522) (Accept Exemption for 2007/08)	Review of useful life of items of PPE recognized in the annual financial statements. It is envisaged that the value of PPE will escalate once impairment and useful life of assets are done in terms of the statement. The cost of administration to implement the exemption is envisaged to be quite high in relation to the benefit to local government.

Standard	Description of standard	Extend to which the information in the financial statement has to be changed
IAS 39 (AC 133)	Financial instruments: Recognition and measurement (Note exemption of certain aspects of standard in Notice 522) (Accept Exemption for 2007/08)	Initially measuring financial assets and financial liabilities at fair value.
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance (to the extent that it does not contradict GAMAP 9)	Limited changes to the accounting system are expected. As far as the statements are concern more detail reporting will result from the implementation of this standard.
IAS 40 (AC 135)	Investment property (Note exemption of certain aspects of standard in Notice 522) (Accept exemption on the portion of “fair value”)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17. The determination of “fair value” is problematic. It is foreseen that the values will change very regularly which can complicate reporting on a consistent basis.
IFRS 7 (AC 144)	Financial Instruments (Accept Exemption)	Limited impact on the financial information is foreseen.
IAS 14 (AC 115)	Segment Reporting (Accept Exemption)	This standpoint is the biggest challenge and it is not foreseen that local government will be in a position to implement it. The extent of reporting on this matter will never be cost effective and will complicate financial statements for the user.
IFRS 8 (AC 145)	Operating Segments (Accept Exemption)	Also refer to above.

3. ACCOUNTING RATIOS

This portion of the report deals with some sort of benchmarking. Although there is no definitive basis for benchmarking in local government, one can use the current ratio, solvability and quick asset ratio to draw some kind of a conclusion on the financial viability of Council. It is clear from all of the under mention results that in

some sense the finances is managed very conservatively. The question to be answered is whether one can manage it any different when managing public money. Public money or service delivery should never be put at risk.

The evaluation of the municipality's liquidity position focuses on its cash resources, ability to generate cash from operations and the capacity to pay creditors and short-term loans on time. A crucial element of liquidity management is the effectiveness of its revenue collection. The current collection rate is well over 85% of levies. Compared against other local authorities in the North Wes province it is considered to be a very good payment rate. On a National basis there are some municipalities of the same size that have a better payment rate but it should be compared against the background of ability to pay. This ability to pay must be taken into account when policies of financial strategy are considered.

Operating ratio or Current ratio:

Operating resources represents the surplus of current assets over current liabilities. This is an indicator that determines the ability of the municipality to pay operational expenditure in the short-term.

The following table illustrates the calculation of the operating capital ratio:

Description	2007/2008 R'	2006/2007 R'	2005/2006 R'	2004/2005 R'
CURRENT ASSETS:				
Cash	59 235	32 667 396	23 879 196	152 800
Inventory	27 006 013	17 203 787	18 378 712	19 748 701
Debtors	178 400 439	140 859 601	114 233 634	123 145 388
Investments	233 405 503	180 692 249	115 748 289	147 553 669
Short-term portion of long-term debtors	293 749	688 165	416 501	847 626
Total	439 164 939	372 111 198	272 656 332	291 448 184
CURRENT LIABILITIES:				
Creditors	60 971 679	134 855 417	91 007 707	58 102 343
Short-term portion of long-term liabilities	10 462 334	10 198 194	6 804 845	11 129 281
Deposits	17 931 354	16 677 366	15 043 032	13 552 373
Overdrawn bank account	0	0	1 802	15 517 087
Total	98 052 267	161 730 977	112 857 386	98 301 083
Operating Capital Ratio to 1	3.5	2.3	2.4	2.96

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk as short-term debt can be paid out of short-term assets. A ratio of 3,5 is considered to be strong but conservative. A conservative ratio when dealing with public funds is considered to be good financial management. On the other hand, local government is perceived to be a stable environment and a

lower current ratio would not be out of line. It is clear that the move is towards a lower ratio without being too eager to move towards a lower ratio. The fact that some of the current assets are unspent funds of grants for capital projects must also be considered before a conclusion can be drawn from the ratio.

Quick asset ratio (Acid Test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. As material and stock are for own use and are not required by Institutions other than local authorities, they are not included in the calculations. A ratio of 1:1 is the norm.

The figures that follow reflect the quick asset ratio for the following years:

Description	2007/2008 R'	2006/2007 R'	2005/2006 R'	2004/2005 R'
CURRENT ASSETS:				
Cash	59 235	32 667 396	23 879 196	152 800
Debtors	178 400 439	140 859 601	114 233 634	122 494 083
Investments	233 405 503	180 692 249	115 748 289	147 553 669
Short-term portion of long-term debtors	293 749	688 165	416 501	847 626
Total (Exclude Inventory)	412 158 926	354 907 411	254 277 620	271 048 178
CURRENT LIABILITIES:				
Creditors	60 971 679	134 855 417	91 007 707	58 102 343
Short-term portion of long-term liabilities	10 462 334	10 198 194	6 804 845	11 129 281
Deposits	17 931 354	16 677 366	15 043 032	13 552 373
Overdrawn bank account	8 686 900	0	1 802	15 517 087
Total	98 052 267	161 730 977	112 857 386	102 962 068
Quick Asset Ratio	4.2	2.2	2.25	2.76

The result is also moving towards the 4:1 ratio which is more relevant to local government. It is once again necessary to remember that a conservative approach is needed when dealing with public money and the fact that a whole community will be affected negatively if cash flow problems develop in the public sector.

Solvability

The solvability ratio is a measurement to compare the total assets to the total liabilities and to determine the ability of an authority to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows Matlosana calculation of the solvability ratio:

Description	2007/2008 R'	2006/2007 R'	2005/2006 R'	2004/2005 R'
TOTAL ASSETS:				

Current assets	431 355 820	372 111 198	272 656 332	285 176 647
Plus: Gross Fixed Assets (Note 9.1 to the financial statements)	752 508 850	617 990 502	504 188 243	420 872 754
Total	1 183 864 670	990 101 700	776 844 574	706 049 401
TOTAL LIABILITIES:				
Current liabilities	195 171 766	161 730 977	112 857 386	94 403 927
Plus: Outstanding loans	150 493 599	160 495 044	142 379 664	147 456 675
Accumulated funds	24 675 263	26 339 222	26 468 860	23 114 947
Total	370 340 629	348 565 243	281 705 910	264 975 549
Solvability Ratio to 1	3.20	2.84	2.76	2.66

16. GOING CONCERN

The financial position of the City has again improved since the previous year and although outstanding debtors are still on the increase, it is managed so that the financial sustainability is not affected negatively. The accumulated provision for bad debts is sufficient to cover for possible bad debts, but the non payment of services is hampering service delivery and construction of new infrastructure.

Notwithstanding the non-payment Matlosana can still be seen as a going concern and will also be a going concern for the foreseeable future. Reference must be made of the rating of A2 (short-term) and BBB (long-term) that was done on the 2004/05 financial statements.

EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Mayoral Committee, Municipal Manager, Councilors and Departmental Directors for the support they have given to the department during the 2007/2008 financial year. A special word of appreciation is extended to the finance team for dedication to succeed in producing the annual financial statements on time and in terms of the new accounting standards.

RT MAKGALE
ACTING CHIEF FINANCIAL OFFICER
Date: 29 August 2008

CITY OF MATLOSANA

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. PREFACE

The accounting policy is aimed at describing additional information to the user of financial statements on the measurement used in the preparation of the statements that is not covered in the applicable accounting standards.

2. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on

the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP and/or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of <i>General Notice 552 of 2007</i>, in <i>Government Gazette no. 30013 of 29 June 2007</i>, that have been early adopted
GRAP 03	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective. (GRAP 3.30 - 31) Changes to accounting policies. (GRAP 3.14, 19)
IAS 11 (AC109)	Construction contracts	Entire standard.
IAS 17 (AC 105)	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (IAS 19.29, 48 – 119 and 120A(c) - (q))
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed.
IFRS 3 (AC140)	Business combinations	Entire standard.
IFRS 05 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale. (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

3. ACCRUAL BASIS OF RECORDING

The financial statements are prepared in terms of the accrual basis of accounting. The effects of transactions and other events are recognised when they occur and they are recorded in the accounting records and reported in the financial period to which they relate. This is done in terms of Standards of GRAP 1.31 to 1.32 and IAS 1.25 to 1.26.

4. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

5. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

6. OFFSETTING

No offsetting is done in either assets and liabilities or income and expenditure in line with Standards of GRAP 1.42 to 1.46 or IAS 1.32 to 1.35.

7. BALANCE STATEMENT/ STATEMENT OF FINANCIAL POSITION

The Balance Statement is represented by the Statement of Financial Position. The Statement of Financial Position will be divided into current- and non-current (net assets) assets and current and non-current liabilities in terms of Standards of GRAP1.62 and not in terms of liquidity.

8. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished and transferred to a Housing Development Fund.

The Housing Act prescribes the utilisation of this fund and monies standing to the credit of the Housing Development Fund. It can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

9. RESERVES

9.1. CAPITAL REPLACEMENT RESERVE (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds/amounts are transferred from the accumulated surplus to the Capital Replacement Reserve(CRR) in terms of a Council resolution. An amount equal to the actual spending from CRR is contributed to the CRR from the Accumulated Surplus/ (Deficit) to finance the expenditure.

The following conditions are set for the creation and utilization of the CRR:

- The cash which backs the CRR is invested in a designated CRR investment account until utilised. The cash may only be invested in accordance with the investment policy.
- Interest earned on the CRR is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR.
- The CRR may only be utilised for the purpose of purchasing items of property; plant and equipment and may not be used for the maintenance of these items.
- When the items of property; plant and equipment are purchased from the CRR; the CRR is reduced by the amount of property; plant and equipment purchased from the CRR and the accumulated surplus is credited by a corresponding amount. The designated CRR investment account is adjusted accordingly.

9.2. CAPITALISATION RESERVE

Resulting from the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance on the reserve equals the carrying value of the items of property, plant and equipment financed from the former legislative funds. When these items of property, plant

and equipment are depreciated, an equivalent amount is transferred from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such an item is transferred to the accumulated surplus.

9.3. GOVERNMENT GRANT RESERVE

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grant Reserve equal to the value of the Government Grant recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, an equivalent amount is transferred from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property; plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

9.4. DONATIONS AND PUBLIC CONTRIBUTIONS RESERVE

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, an equivalent amount is transferred from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from Donations and Public Contribution reserves grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

9.5. SELF INSURANCE RESERVE

The Municipality operates a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that are not fully insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is based on estimated insurance risk carried by the Municipality. The contribution towards the Reserve is made from the operating account. The balance of the self-insurance fund is invested in short-term cash investments.

Own claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

9.6. EX-GRATIA PENSION RESERVE

The Municipality operates an Ex-gratia pension fund with the purpose to provide an ex-gratia amount to employees who do not have membership of a pension fund at retirement. The contributions towards the Reserve are made from the operating account. The balance of the Ex-gratia pension fund is invested in cash investments.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost; less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets

was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure relating to property; plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance; then it is regarded as repairs and maintenance and is expensed.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

	<u>Years</u>	<i>Other</i>	<u>Years</u>
<i>Infrastructure</i>			
Roads and Paving	10-30	Buildings	30
Electricity	20-30	Other vehicles	3-20
Water	15-20	Office equipment	5-10
Sewerage	15-20	Furniture and fittings	7-10
Specialised plant and equipment	5-15	Other items of plant and equipment	3-15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

11. INVESTMENTS

11.1. FINANCIAL INSTRUMENTS

Financial instruments, which may include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated as at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

11.2. INVESTMENT IN MUNICIPAL ENTITIES

Investments in municipal entities under the ownership control of the Municipality are carried at cost of invested amount.

12. INVENTORIES

Inventories consist of Consumable, raw materials, work-in-progress and finished goods which are valued at the lower of cost or net realisable value. In general, the basis of determining cost is the first-in, first-out method. The value of the Faan Meintjes Reserve is based on 100% of the current realisable value as at 30 June annually. Land developed for re-sale within one year is classified as an inventory item. The value of the stands is calculated at:

- Councils resolution Rand per square meter or
- Municipal valuation.

Cost of inventories comprises all costs of purchase; costs of convention and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age; condition and utility.

13. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to Council.

Property; plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property;

plant and equipment is depreciated at appropriate rates on the straight line basis over the estimated useful life.

Lease finance costs are expensed when incurred.

Operating leases are those leases which do not fall within the scope of the above definition. In terms of the exemptions published in Government Gazette No. 30013 dated 29 June 2007 operating leases are not straight lined and are expensed as they become due.

14. ACCOUNTS RECEIVABLE

Accounts receivable are carried at the accrued value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

15. TRADE CREDITORS

Trade creditors are stated at their nominal value.

16. REVENUE RECOGNITION

16.1. REVENUE FROM EXCHANGE TRANSACTIONS

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on removal once per week.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis that takes into account the effective yields on assets.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of dog licences and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

16.2.REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into operation.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance

Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

17. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

18. PROVISIONS

The provision for the accumulated leave of staff that is redeemable complies with the definition of a provision. Additional notes on the detail of the provision as well as the total liability are reflected in the Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

19. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government,

municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

1. CURRENT YEAR COMPARATIVES:

Budgeted amounts have been included in the annual financial statements for the current financial year.

2. PRIOR YEAR COMPARATIVES:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

20. CASH FLOW STATEMENT

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

21. RETIREMENT BENEFITS

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees:

Municipal Employees Gratuity Fund	SALA Pension Fund
Pension Fund for Municipal Councillors	SAMWU provident Fund
National Fund for Municipal Workers	Municipal Employees Pension Fund

Actuarial valuations are done as follows:

Municipal Employees Gratuity Fund:	Actuarial valuation is done every 2 years
Pension Fund for Municipal Councillors:	Actuarial valuation is done every 3 years
National Fund for Municipal Workers:	Not required to do actuarial valuation
Municipal Employees Pension Fund:	Actuarial valuation is done every 2 years
SAMWU provident Fund:	Not required to do actuarial valuation
SALA Pension Fund:	Actuarial valuation is done every 3 years

Council does not operate or are not involve in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the Employer.

CITY OF MATLOSANA
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		873 755 364	702 970 923
Housing Development fund	1	5 125 928	6 230 166
Capital Replacement Reserve		6 186 912	6 166 410
Capitalisation Reserve		14 625 869	15 276 505
Government Grant Reserve		422 356 311	321 126 161
Donations and Public Contribution Reserve		17 852 539	17 852 539
Self-Insurance Reserve		13 223 333	13 803 554
Ex Gratia Pension Reserve		139 091	139 091
Accumulated Surplus/(Deficit)		394 245 382	322 376 497
Non-current liabilities			
Long-term liabilities	2	150 493 599	160 495 044
Current liabilities		195 171 766	161 730 977
Consumer deposits	3	17 931 354	16 677 366
Provisions and liabilities	4	8 884 528	14 506 830
Creditors	5	41 191 196	37 269 180
Unspent conditional grants and receipts	6	88 234 971	53 885 284
VAT	7	19 780 483	29 194 123
Bank overdraft	15	8 686 900	0
Current portion of long-term liabilities	2	10 462 334	10 198 194
Total Net Assets and Liabilities		1219 420 730	1025 196 944
ASSETS			
Non-current assets		788 064 910	653 085 747
Property, plant and equipment	9	752 508 850	617 990 502
Investment Properties	9	5 392 196	5 392 196
Investments	8	7 809 119	6 975 215
Long-term receivables	10	22 354 744	22 727 834
Current assets		431 355 820	372 111 198
Inventory	11	27 006 013	17 203 787
Consumer debtors	12	60 197 113	70 971 904
Other debtors	13	118 203 327	69 887 697
Current portion of long-term debtors	10	293 749	688 165
Call investment deposits	14	225 596 384	180 692 249
Bank balances and cash	15	59 235	32 667 396
Total Assets		1219 420 730	1025 196 944

CITY OF MATLOSANA
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Actual 2008 R	2007 R
REVENUE			
Property rates	16	113 043 795	102 553 466
Service charges	17	420 182 649	391 232 142
Market dues		10 811 206	9 446 077
Administration fees		2 354 804	8 159 649
Dividends		6 550	2 231
Rental of facilities and equipment		7 774 228	7 767 236
Interest earned - external investments		30 499 126	18 115 339
Interest earned - outstanding debtors		38 723 868	32 001 552
Fines		2 906 901	3 305 839
Licenses and permits		4 458 475	3 482 119
Grants and subsidies	18	264 731 991	236 457 854
Other income	19	38 195 500	26 190 691
Public contributions, donated and contributed property, plant and equipment		0	0
Gains on disposal of property, plant and equipment		949 461	833 768
Total Revenue		934 638 554	839 547 964
EXPENDITURE			
Employee related costs	20	225 995 000	206 210 619
Remuneration of Councilors	21	12 271 679	10 812 693
Bad debts (Contribution to Provisions)		46 452 168	72 034 070
Collection costs		5 605 256	5 653 633
Depreciation		50 292 722	44 573 257
Repairs and maintenance		30 871 690	29 763 268
Interest paid	22	19 831 689	18 933 733
Bulk purchases	23	198 928 124	180 876 485
Contracted services		8 641 842	4 721 126
Grants and subsidies paid		0	0
General expenses		162 702 656	130 340 918
Loss on disposal of property, plant and equipment		0	0
Total Expenditure		761 592 826	703 919 802
SURPLUS/(DEFICIT)		173 045 728	135 628 162
Share of surplus/(deficit) of associate accounted for under the equity method		0	0
SURPLUS/(DEFICIT) FOR THE YEAR		173 045 728	135 628 162
Refer to Appendix E(1) for explanation of variances			

CITY OF MATLOSANA
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	<u>Pre-Gamap Reserves and Funds</u>	<u>Ex Gratia Pension Reserve</u> R	<u>Capital Replacement Reserve</u> R	<u>Self insurance Reserve</u> R	<u>Housing Development Fund</u> R	<u>Government Grants and Reserves</u> R	<u>Donations and public Contribution Reserve</u> R	<u>Capitalisation Reserve</u> R	<u>Accumulated Surplus/ (Deficit)</u> R	<u>Total</u> R
2007										
Balance at 1 July 2006		164 843	6 206 389	13 867 462	6 230 166	237 365 990	17 852 539	15 956 319	267 855 258	565 498 966
Implementation of GRAP (Note 27)										0
Change in accounting policy (Note 27)										0
Correction of error										0
Restated balance	0	164 843	6 206 389	13 867 462	6 230 166	237 365 990	17 852 539	15 956 319	267 855 258	565 498 966
Surplus/(deficit) for the year									135 628 162	135 628 162
Surplus/(deficit) for the previous year									1 843 795	1 843 795
Transfer to CRR			24 229 262						(24 229 262)	0
Property, plant and equipment purchasec			(24 269 241)						24 269 241	0
Capital grants used to purchase PPE						102 330 939			(102 330 939)	0
Donated/contributed PPE										0
Payments		(50 000)							50 000	0
Transfer to Insurance Reserve				2 622 662					(2 622 662)	0
Insurance Claims processed				(2 686 570)					2 686 570	0
Transfer to Ex Gratia Pension Reserve		24 248							(24 248)	0
Assets disposal										0
Offsetting of depreciation						(18 570 768)		(679 814)	19 250 582	0
Balance at 30 June 2007	0	139 091	6 166 410	13 803 554	6 230 166	321 126 161	17 852 539	15 276 505	322 376 497	702 970 923
2008										
Correction of error										0
Change in accounting policy (Note 27)										0
Restated balance	0	139 091	6 166 410	13 803 554	6 230 166	321 126 161	17 852 539	15 276 505	322 376 497	702 970 923
Surplus/(deficit) for the year									173 045 728	173 045 728
Surplus/(deficit) for the previous year									(2 261 287)	(2 261 287)
Transfer to CRR			22 360 117						(22 360 117)	0
Property, plant and equipment purchasec			(22 339 614)						22 339 614	0
Capital grants used to purchase PPE						124 004 693			(124 004 693)	0
Donated/contributed PPE										0
Payments					(1 104 238)				1 104 238	(0)
Transfer to Insurance Reserve									0	0
Insurance claims processed				(580 221)					580 221	(0)
Transfer to Ex Gratia Pension Reserve									0	0
Asset disposals										0
Offsetting of depreciation						(22 774 543)		(650 636)	23 425 180	0
Balance at 30 June 2008	0	139 091	6 186 912	13 223 333	5 125 928	422 356 311	17 852 539	14 625 869	394 245 381	873 755 363

CITY OF MATLOSANA
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note/ App.	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	29	147 023 509	180 593 155
Interest received		69 222 994	50 116 891
Interest paid	22	(19 831 689)	(18 933 733)
Other reserves			
NET CASH FROM OPERATING ACTIVITIES		196 414 814	211 776 313
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(185 263 773)	(160 252 369)
Proceeds on disposal of property, plant and equipment		1 402 163	2 710 621
(Increase)/decrease in non-current receivables		373 090	(2 927 238)
Increase in non-current investments		(833 904)	(716 429)
Decrease in call investment deposits			
NET CASH FROM INVESTING ACTIVITIES		(184 322 424)	(161 185 415)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(9 737 304)	21 508 729
Decrease/(increase) in short-term loans			
Increase in consumer deposits		1 253 988	1 634 334
NET CASH FROM FINANCING ACTIVITIES		(8 483 316)	23 143 063
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		3 609 075	73 733 961
Cash and cash equivalents at the beginning of the year		213 359 645	139 625 683
Cash and cash equivalents at the end of the year	30	216 968 719	213 359 645

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	5 125 928	6 230 166
Unappropriate Surplus	5 125 928	6 230 166
Loans extinguished by Government on 1 April 1998		
The Housing Development Fund is represented by the following assets and liabilities		
Bank and cash	5 125 928	6 230 166
Sub-total	5 125 928	6 230 166
Total Housing Development Fund Assets and Liabilities	5 125 928	6 230 166

	2008 R	2007 R
2 LONG-TERM LIABILITIES		
Local registered Stock Loans	0	0
Annuity Loans	160 955 934	170 693 238
Sub-total	160 955 934	170 693 238
Less : Current portion transferred to current liabilities	10 462 334	10 198 194
Local Registered Stock Loans	10 462 334	10 198 194
Annuity Loans		
Total External Loans	150 493 599	160 495 044
Refer to Appendix A for more detail on long-term liabilities		

	2008 R	2007 R
3 CONSUMER DEPOSITS		
Electricity and Water	17 931 354	16 677 366
Total Consumer Deposits	17 931 354	16 677 366
Guarantees held in lieu of Electricity and Water Deposits	1 906 198	1 906 198
Guarantees held in lieu of debtors for the Fresh Produce Market	400 000	500 000

	2008 R	2007 R
4 PROVISIONS AND LIABILITIES		
Staff leave	8 884 528	14 506 830
Total Provisions and liabilities	8 884 528	14 506 830
The movement in current provisions and liabilities are reconciled as follows:		
4.1 Staff Leave		
Balance at beginning of year	14 506 830	12 582 083
Contributions to provisions	0	4 851 528
Expenditure incurred	(5 622 302)	(2 926 780)
Balance at end of year	8 884 528	14 506 830

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The extent of the accumulated leave liability for Council as at 30 June 2008 amounted to R8 884 528, while the redemption of leave during the financial period under review was R5 622 302.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
5 CREDITORS		
Trade creditors	84 934	84 934
Other creditors	25 905 881	18 732 023
Payment received in advance	10 958 162	16 646 169
Suspense accounts	4 242 219	1 806 053
Total Creditors	41 191 196	37 269 180

Included in other creditors are retention money R8 792 550, creditors Market R 790 347, and salary suspense R 6 117 063.

	2008 R	2007 R
6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
6.1 Conditional Grants from other spheres of Government	88 234 971	53 885 284
MIG Grants (see note 18.5)	38 571 624.24	9 503 025
Provincial LED Projects (see note 18.6)	428 799.43	856 090
Provincial Capital Grants (see note 18.7)	43 423 381.42	40 671 048
National Electricity Regulator (see note 18.8)	345 489.70	496 900
Finance Management Grant (see note 18.9)	726 106.69	1 749 621
Department of Water Affairs (see note 18.11)	1 500 000.00	608 600
Provincial Government Grants (see note 18.12)	3 239 569.37	0
6.2 Other Conditional Receipts	0	0
Development Bank of South Africa (see note 18.10)	0	0
Public contributions (see note 18.3)	0	0
Total Conditional Grants and Receipts	88 234 971	53 885 284

	2008 R	2007 R
7 VAT		
VAT payable	19 780 483	29 194 123

VAT is payable on the cash basis.

	2008 R	2007 R
8 INVESTMENTS		
<u>Unlisted</u>		
Senwes	57 202	45 082
	57 202	45 082
<u>Financial Instruments</u>		
Fixed Deposits	7 751 917	6 930 133
Total Cash Investments	7 751 917	6 930 133
Total Investments	7 809 119	6 975 215
Valuation of unlisted investments		
Senwes	57 202	45 082
	57 202	45 082

Allocation of external investments:

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-

Redemption of Long-Term Liability(Maturing June 2019)	7 751 917	6 930 133
Accumulated Surplus/(Deficit)	57 202	57 202
Total	7 809 119	6 987 335

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
10 LONG-TERM RECEIVABLES		
Car loans	0	13 321
Bursary loans	442 129	507 389
Sport bodies	330 591	347 785
High tension connections	9 622	14 984
Abattoir	10 280 000	10 280 000
Sale of Housing Stands	2 352 385	3 283 924
Housing houses	9 233 766	8 968 596
	22 648 493	23 415 999
Less : Short-term portion transferred to current assets	293 749	688 165
Car loans	0	13 447
Bursary loans	270 210	263 759
Sport bodies	17 803	13 666
High tension connections	5 736	4 941
Sale of Stands	0	392 352
	22 354 744	22 727 834
Total		
CAR LOANS		
Council do not grant any new car loans as it is prohibited by the MFMA.		
BURSARY/STUDY LOANS		
Different loan schemes were in place. Loans were granted to officials and public for study purposes at various interest rates and repayable over a maximum period of 5 years. In terms of MFMA no new loans may be granted.		
SPORT BODIES		
Different loan schemes are in place for various sporting bodies. The interest rates fluctuate between 5% to 15% repayable over a period from 5 years to 20 years. The MFMA also stopped this practice.		
HIGH TENSION CONNECTIONS		
Council do not grant any high tension loans as it is prohibited by MFMA. High tension loans were granted to public who made applications to the Council. The maximum loan amount should be R 35 000. Loans were determined at 15% interest rate and repayable over a period of 60 months.		
SALE OF HOUSING STANDS		
Stands were sold to public and is also prohibited by the MFMA. Sale of stands were determined at 15% interest rate repayable over a period of 60 months		
SALE OF HOUSES		
Houses were sold to public and is also prohibited by the MFMA. Sale of houses were determined at 15% interest rate repayable over a period of 60 months		
ABATTOIR		
The abattoir surety holder has been liquidated and a civil claim is pending. The opinion is that the full amount will not be recovered. A calculation of possible recovery is not possible at this stage. The claim against the previous purchaser is continuing.		

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
11 INVENTORY		
Consumable stores - at cost	21 310 959	8 401 395
Museum stores - at authorized value	188 679	158 772
Nature reserve -wild stock	3 415 451	3 438 250
Unsold properties held for resale at council resolution or municipal valuation.	708 732	5 205 371
Inventory Unsold Water	1 382 193	0
Total Inventory	27 006 013	17 203 787

Inventory of unsold water which was not recognised in the annual financial statements for the 2006/07 financial year due to the exemption granted in Gazette 30013 has been recognised. The amount disclosed in these financial statements reflects water stock as at 30 June 2008 calculated based on the buying cost. See note 28.6 for inventory shortages and surpluses.

12 CONSUMER DEBTORS
As at 30 June 2008

	Gross Balances	Provision for Bad Debts	Net Balance
Service debtors	536 893 169	476 696 056	60 197 113
Rates	100 944 445	78 907 416	22 037 029
Electricity	35 656 676	18 304 948	17 351 728
Water	98 537 456	76 371 308	22 166 148
Sewerage	52 008 411	41 892 402	10 116 010
Refuse	49 463 323	40 746 496	8 716 827
Other debtors	200 282 858	220 473 486	(20 190 628)
Total	536 893 169	476 696 056	60 197 113

As at 30 June 2007

Service debtors	501 250 082	430 278 179	70 971 904
Rates	89 400 816	81 589 905	7 810 911
Electricity	30 239 157	29 574 593	664 564
Water	80 844 824	65 747 252	15 097 572
Sewerage	46 103 685	42 320 322	3 783 363
Refuse	42 602 973	38 411 589	4 191 384
Other debtors	212 058 627	172 634 517	39 424 110
Total	501 250 082	430 278 179	70 971 904

	2008 R	2007 R
<u>Rates : Ageing</u>		
Current (0 - 30 days)	8 990 245	8 228 648
31 - 60 Days	3 193 739	3 082 984
61 - 90 Days	2 442 505	2 717 811
90+ Days	86 317 958	75 371 373
Total	100 944 447	89 400 816

(Electricity, Water, Refuse, Sewerage and other debtors) : Ageing

Current (0 - 30 days)	33 713 781	32 125 928
31 - 60 Days	11 667 583	10 444 485
61 - 90 Days	10 983 964	10 092 306
90+ Days	409 845 562	359 186 548
Total	466 210 890	411 849 266

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Housing rentals : Ageing

Current (0 - 30 days)	3 594 569	241 997
31 - 60 Days	297 201	277 539
61 - 90 Days	294 483	185 767
90+ Days	16 769 495	14 135 687
Total	20 955 748	14 840 991

Summary of Debtors by Customer Classification
30 June 2008

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Other</u>
	R	R	R	R
Current (0 - 30 days)	36 350 505	5 147 269	1 468 994	737 258
31 - 60 Days	12 736 128	1 284 622	317 256	523 313
61 - 90 Days	11 584 577	1 018 536	233 858	589 499
90+ Days	419 664 968	32 777 105	2 606 216	41 115 232
Sub-total	480 336 178	40 227 531	4 626 323	42 965 303
Less: Provision for bad debts	403 013 661	33 751 871	3 881 597	36 048 927
Plus: Reversal of Bad Debts	0			
Total debtors by customer classification	77 322 517	6 475 660	744 726	6 916 375

Summary of Debtors by Customer Classification
30 June 2007

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Other</u>
	R	R	R	R
Current (0 - 30 days)	36 769 414	2 871 971	547 907	619 090
31 - 60 Days	12 532 481	773 932	86 392	678 546
61 - 90 Days	11 795 287	782 765	65 063	636 776
90+ Days	402 776 521	9 240 592	1 434 148	19 639 198
Sub-total	463 873 703	13 669 260	2 133 509	21 573 610
Less: Provision for bad debts	398 193 914	11 733 832	1 831 426	18 519 007
Total debtors by customer classification	65 679 789	1 935 428	302 083	3 054 603

Provision for bad debts was calculated as a percentage as per Council policy bases on 07/08 to the outstanding amounts.

PROVISION FOR BAD DEBTS

Balance at 1 July	430 278 178	358 186 661
Contribution for the year	46 452 168	72 123 952
Written off for the year	(34 291)	(32 435)
Balance at 30 June	476 696 056	430 278 178

13 OTHER DEBTORS

	2008 R	2007 R
Unauthorized expenditure (see Note 32.1)	34 995	34 995
Fruitless and wasteful expenditure (see Note 32.2)	161 958	161 958
Insurance claims	3 237 689	2 704 570
National Electricity Regulator	0	0
Short-term loans and other	82 040 645	34 094 506
Housing (Internal Loan)	11 000 000	11 000 000
Provincial health subsidies	2 807 991	2 727 810
District Municipality Environmental Health	1 455 508	826 515
Payment made in advance	125 265	125 265
Market	1 833 350	952 593
Housing rentals	14 793 684	17 103 215
Suspense accounts	712 241	156 270
Total Other Debtors	118 203 327	69 887 697

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
14 CALL INVESTMENT DEPOSITS		
Other Deposits	225 596 384	180 692 249
Allocation of external investments		
In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-		
Ex Gratia Pension Reserve	139 091	139 091
Capital Replacement Reserve	6 186 912	6 166 410
Unspent conditional grants and receipts	88 234 971	53 885 284
Self Insurance Fund	13 223 333	13 803 554
Housing Development Fund	5 125 928	6 230 166
Accumulated Surplus/(Deficit)	112 686 149	100 467 743
Total	225 596 384	180 692 249
The total amount invested in cash for Accumulated Surplus/(Deficit) amounts to R 112 686 149 (See also Note 14)		
15 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
Current Account (Primary Bank Account)		
ABSA Bank - Church street Klerksdorp		
Account Number : 4060008684		
Cash book balance at beginning of year	7 682 597	6 765 168
Cash book balance at end of year	1 061 564	7 682 597
Bank statement balance at beginning of year	7 790 073	6 765 168
Bank statement balance at end of year	7 381 874	7 790 073
ABSA Bank - Church street Klerksdorp		
Account Number : 01000100176		
Cash book balance at beginning of year	21 463 335	16 633 944
Cash book balance at end of year	(10 639 931)	21 463 335
Bank statement balance at beginning of year	27 765 028	53 629 032
Bank statement balance at end of year	50 333 230	27 765 028
ABSA Bank - Church street Klerksdorp		
Account Number : 950164379 (Stadsraad Water)		
Cash book balance at beginning of year - overdraw	2 697 939	(1 802)
Cash book balance at end of year	1 694 394	2 697 939
Bank statement balance at beginning of year	2 732 058	47 180
Bank statement balance at end of year	1 701 951	2 732 058

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

ABSA Bank - Church street Klerksdorp

Account Number : 950000090 (Market)

Cash book balance at beginning of year

699 967 362 937

Cash book balance at end of year

(800 514) 699 967

Bank statement balance at beginning of year

1 583 279 1 059 375

Bank statement balance at end of year

74 058 1 583 279

ABSA Bank - Church street Klerksdorp

Account Number : 4059133084 (Mayor's Golf Day)

Cash book balance at beginning of year

66 383 60 472

Cash book balance at end of year

(2 413) 66 383

Bank statement balance at beginning of year

71 383 61 836

Bank statement balance at end of year

2 778 71 383

CASH ADVANCES

Petty Cash

59 235 57 175

Total Cash Advances

59 235 57 175

Total Cash balances

(8 686 900) 32 667 396

Total Overdrafts balances

0 0

Total Cash and overdrafts balances

(8 686 900) 32 667 396

16 PROPERTY RATES

Actual

Residential and commercial

94 959 457 96 763 731

Indigent

12 153 257 0

Agricultural

2 585 394 2 585 394

State

3 320 178 3 140 086

Sundry debtors

25 509 64 255

Total Assessment Rates

113 043 795 102 553 466

Valuations

Residential and commercial

July 2006 624 979 July 2005 577 563

Agricultural

R 000 109 167 R 000 39 736

State

18 880 19 105

Municipal and farms

368 951 386 882

Total Property Valuations

1 121 977 1 023 286

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
17 SERVICE CHARGES		
Sale of electricity	196 703 850	185 310 020
Sale of water	111 413 107	106 917 887
Refuse removal	52 939 246	45 212 536
Sewerage and sanitation charges	59 126 445	53 791 700
Total Service Charges	420 182 649	391 232 142

	2008 R	2007 R
18 GRANTS AND SUBSIDIES		
Equitable share	135 346 269	111 881 887
Provincial LED Projects	699 809	0
Provincial health subsidies	6 938 579	6 949 629
Finance Management Grant	0	500 000
Development Bank of South Africa	0	0
Eskom Demand Side Management	0	14 734 284
District Municipality Environmental Health	182 401	2 908 474
District Municipality - operational grants	8 170 419	5 000 000
District Municipality Capital assets grants	9 622 136	27 356 943
Lotto Capital asset grant	0	0
Anglo Gold Ashanti Capital assets grants	0	76 500
MIG Grant	99 621 247	65 043 165
National Electricity Regulator	345 490	496 900
Provincial capital grants	3 805 641	1 510 072
Department of Water Affairs	0	0
Total Government Grant and Subsidies	264 731 991	236 457 854

18.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 154.11 (2008: 62048729), which is funded from this grant.

18.2 Provincial Health Subsidies

Balance unspent at beginning of year	(3 204 182)	0
Current year receipts - included in public health vote	6 938 579	6 949 629
Conditions met - transferred to revenue	(9 508 850)	(10 153 811)
Conditions still to be met - transferred to liabilities (see note 6)	(5 774 453)	(3 204 182)

The Municipality primarily renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18.3 Eskom Demand Side Management

Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote	0	14 734 284
Conditions met - transferred to capital expenditure	0	(14 734 284)
Conditions still to be met - transferred to liabilities (see note 6)	0	0

18.4 District Municipality Environmental

Balance unspent at beginning of year	(729 236)	0
Current year receipts - included in public health vote	182 401	2 908 474
Conditions met - transferred to revenue	(2 206 133)	(3 637 710)
Conditions still to be met - transferred to liabilities (see note 6)	(2 752 968)	(729 236)

The Municipality renders environmental services on behalf of the District Municipality and is refunded for expenditure incurred. This grant has been used exclusively to fund environmental service (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

18.5 MIG Grant

Balance unspent at beginning of year	9 503 025	14 431 202
Current year receipts	125 451 617	60 114 988
Conditions met - transferred to revenue	(99 621 247)	(65 043 165)
Conditions still to be met - transferred to liabilities (see note 6)	35 333 395	9 503 025

This grant was used to construct roads, storm water, streetlights, sewerage and water infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.

18.6 Provincial LED Projects

Balance unspent at beginning of year	856 090	1 238 990
Current year receipts	699 809	0
Conditions met - transferred to revenue	(887 889)	(382 900)
Conditions still to be met - transferred to liabilities (see note 6)	668 010	856 090

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Local Economic development and Procurement vote in Appendix D). No funds have been withheld.

18.7 Provincial Capital Grants

Balance unspent at beginning of year	40 671 048	8 305 780
Current year receipts	22 000 000	33 875 340
Conditions met - transferred to revenue	(3 805 641)	(1 510 072)
Conditions still to be met - transferred to liabilities (see note 6)	58 865 407	40 671 048

Provincial capital grants are used to upgrade libraries, construct heritage assets, transport museum, supply water and sanitation to farm schools, bucke eradication and supply electricity and sewerage to the prison. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Appendix D). No funds have been withheld.

18.8 National Electricity Regulator

Balance unspent at beginning of year	496 900	541 790
Current year receipts	2 200 000	2 264 000
Conditions met - transferred to revenue	(2 351 410)	(2 308 890)
Conditions still to be met - transferred to liabilities (see note 6 (2005/2006) and 13 (2004/2005) other debtors)	345 490	496 900

National Electricity Regulator grants are used supply electricity to consumers. The grant is spent in accordance with a business plan approved by the N.E.R.(included in Appendix D). No funds have been withheld.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18.9 Finance Management Grant

Balance unspent at beginning of year	1 749 621	3 355 288
Current year receipts	0	500 000
Conditions met - transferred to revenue	(1 521 315)	(2 103 467)
Conditions met - transferred to capital expenditure	(2 200)	(2 200)
Conditions still to be met - transferred to liabilities (see note 6)	226 106	1 749 621

Finance Management Grant is used to support the municipality with National Treasury budget and financial reforms. The grant is spent in accordance with the guidelines of National Treasury, included in Appendix D). No funds have been withheld.

18.10 Development Bank of South Africa

Balance unspent at beginning of year	0	0
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions met - transferred to capital expenditure	0	0
Conditions still to be met - transferred to liabilities (see note 6)	0	0

18.11 Department of Water Affairs

Balance unspent at beginning of year	608 600	608 600
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions met - transferred to capital expenditure	0	0
Conditions still to be met - transferred to liabilities (see note 6)	608 600	608 600

The grant received from the Department of Water Affairs is used support the Municipality with the relieving of drought. The grant is spent in accordance with business plan approved by the Department of Water Affairs, included in Appendix D). No funds have been withheld.

18.12 Provincial Government Grants

Balance unspent at beginning of year	0	50 000
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions met - transferred to capital expenditure	0	(50 000)
Conditions still to be met - transferred to liabilities (see note 6)	0	0

The grant received from the Provincial Government is used support the Municipality with the development of the Museum. The grant is spent in accordance with a business plan approved by the Provincial Government, included in Appendix D). No funds have been withheld.

18.13 District Municipality Grants

Balance unspent at beginning of year	0	0
Current year receipts	0	5 000 000
Conditions met - transferred to revenue	0	0
Conditions met - transferred to operational expenditure	(8 170 419)	(5 000 000)
Conditions still to be met - transferred to liabilities (see note 6)	(8 170 419)	0

The grant received from the District Municipality is used to support the Municipality with the repair and maintenance of fire vehicles, Environmental mayoral programme and 2010 world cup projects. R5m for the was received in July 2008 Included in Appendix D). No funds have been withheld.

18.14 District Municipality Capital Grants

Balance unspent at beginning of year	0	0
Current year receipts	9 622 136	27 356 943
Conditions met - transferred to revenue	0	0
Conditions met - transferred to capital expenditure	(9 622 136)	(27 356 943)
Conditions still to be met - transferred to liabilities	0	0

Various capital grant in the form of assets were received from the District Municipality as support to the Municipality and is included in Appendix D). No assets have been withheld.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18.15 LOTTO Capital Grants

Balance unspent at beginning of year	0	0
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions met - transferred to capital expenditure	0	0
Conditions still to be met - transferred to liabilities	0	0

18.16 Anglo Gold Ashanti Capital Grants

Balance unspent at beginning of year	0	0
Current year receipts	0	76 500
Conditions met - transferred to revenue	0	0
Conditions met - transferred to capital expenditure	0	(76 500)
Conditions still to be met - transferred to liabilities	0	0

18.17 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

	2008 R	2007 R
19 OTHER INCOME		
Abattoir	0	0
Connections	586 679	885 522
Commissions on services rendered	505 364	559 113
Provincial Government Commission on Licenses	7 123 792	5 624 334
Fees Burial	820 860	891 077
Fees Parking	252 190	370 552
Fees Ripe and Cool	302 621	346 340
Legal Costs	1 400 000	1 991 383
Provincial Government Motors Direct	6 010	4 961
MIG project management unit	566 073	561 893
Job costing	1 894 306	2 000 835
Recovery of impairment of investment	0	59 954
Revaluation of Shares	12 120	16 301
Sale of Stands	(2 913 348)	5 176 085
Seta Training	682 784	795 911
Transfer from unappropriated surplus	0	0
Transfer from leave provision	310 070	2 926 780
Unclaimed Moneys	0	678 996
Wild Stock	0	1 219 525
Other none material income	26 645 980	2 081 130
Total Other Income	38 195 500	26 190 691

The basis of greater than R500 000 and disclosure i.t.o. GAP1.99 (Shares & investment impairment) were used to indicate the breakdown of other income.

	2008 R	2007 R
20 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries, wages and other allowances	162 257 522	146 081 279
Employee related costs - Contributions for pensions, UIF, group insurance and medical aids	48 517 255	44 909 117
Travel and motor car allowances	4 972 385	4 972 385
Housing benefits and allowances	1 307 393	1 307 393
Overtime payments	8 951 105	8 951 105
Performance bonus	296 769	296 769
Less: Employee costs unauthorized to Property, Plant and Equipment	(307 429)	(307 429)
Total Employee Related Costs	225 995 000	206 210 619

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

There were no advances to employees. Loans to employees are set out in note 10.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Remuneration of the Municipal Manager

Annual Remuneration : Package	836 863	447 750
Performance Bonuses	0	60 589
Car Allowance	0	0
Contributions to UIF, Medical and Pension Funds	0	0
Total	836 863	508 339

Remuneration of the Chief Finance Officer

Annual Remuneration : Package	670 800	187 456
Performance Bonuses	0	0
Car Allowance	0	0
Contributions to UIF, Medical and Pension Funds	0	0
Total	670 800	187 456

Remuneration of Managers

	Director Infrastructure & Utilities : Section 57 appointment	Director Municipal & Social Services : Section 57 appointment	Director Corporate Services & Governance : Section 57 appointment	Director Economic Development & Procurement : Section 57 appointment
30 June 2008				
Annual Remuneration : Package	619 200	670 800	662 544	571 569
Performance Bonuses	0	0	0	0
Car Allowance	0	0	0	0
Contributions to UIF, Medical and Pension Funds	0	0	0	0
Total	619 200	670 800	662 544	571 569

Council approved new structure in terms of which the Deputy Municipal Manager's position were removed from the organogram, and Head of Department's positions were substituted with Directors

	Director Infrastructure & Utilities : Section 57 appointment from 1 July 2007	Director Municipal & Social Services : Section 57 appointment from 4 December 2006	Director Corporate Services & Governance : Section 57 appointment from 12 January 2007	Director Economic Development & Procurement : Section 57 appointment from 1 January 2007
30 June 2007				
Annual Remuneration : Package	0	365 122	303 452	276 923
Performance Bonuses	0	0	0	0
Car Allowance	0	0	0	0
Contributions to UIF, Medical and Pension Funds	0	0	0	0
Total	0	365 122	303 452	276 923

	Deputy Municipal Manager: Technical	Deputy Municipal Manager: Administration	Public Safety Services	Health Services
30 June 2007				
Annual Remuneration	320 573	275 284	258 984	337 843
Performance Bonuses	64 630	49 056	0	0
Car Allowance	0	0	66 627	48 659
Contributions to UIF, Medical and Pension Funds	0	0	76 176	71 971
Total	385 203	324 340	401 787	458 473

	Community Services	Housing Services	City Civil Engineer	City Electrical Engineer
Annual Remuneration	258 984	222 420	258 984	222 420
Performance Bonuses	0	0	0	0
Car Allowance	82 630	41 473	74 480	64 827
Contributions to UIF, Medical and Pension Funds	70 602	50 244	90 456	67 144
Total	412 216	314 137	423 920	354 391

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Corporate Services	Market Master	Local Economic Development and Procurement	Manager Financial Services
Annual Remuneration	258 984	133 407	222 420	180 395
Performance Bonuses	0	0	0	0
Car Allowance	66 387	40 732	67 140	80 348
Contributions to UIF, Medical and Pension Funds	64 778	39 689	81 675	59 023
Total	390 149	213 828	371 235	319 766

21 REMUNERATION OF COUNCILORS

	2008 R	2007 R
Executive Mayor	387 192	458 004
Speaker	311 065	361 891
Mayoral Committee Members (Councillors: 8)	4 679 091	3 207 666
Councillors (Councillors: 51)	6 894 332	6 785 132
Councillors pension contribution	0	0
Councillors medical contribution	0	0
Total Councillors' Remuneration	12 271 679	10 812 693

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of Council.
The Executive Mayor has use of a Council owned vehicle for official duties.

22 INTEREST PAID

	2008 R	2007 R
Long-term liabilities	19 831 689	18 933 733
Finance leases	0	0
Bank overdraft	0	0
Total Interest on External Borrowings	19 831 689	18 933 733

Interest was paid to lenders as indicated in Appendix A

23 BULK PURCHASES

	2008 R	2007 R
Electricity	114 157 932	105 660 613
Water	84 770 192	75 215 872
Total Bulk Purchases	198 928 124	180 876 485

Electricity and water are supplied by Eskom and Midvaal Water Company. Residence of Hartbeesfontein are supplied with water purchased from a private individual.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
24 GRANTS AND SUBSIDIES PAID		
Total Grants and Subsidies	0	0

	2008 R	2007 R
25 GENERAL EXPENSES		
Included in general expenses are the following expenditure:		
Assessment rates	2 235 430	2 108 970
Consultants	533 436	1 771 643
Consumables	2 587 497	1 721 983
Free Basic Services	53 681 290	46 792 919
Hire computer equipment	1 027 615	962 302
Insurance U.I.F	1 502 995	2 640 263
Insurance short-term	5 615 679	2 443 757
Levy skills development	1 682 094	1 531 026
Longterm liability: District Municipality	6 121 866	7 287 555
Mayor's special projects	1 543 025	617 574
Meter readings	3 850 032	3 429 024
Postage	2 569 808	2 480 616
Printing and stationeries	2 238 852	1 938 656
Security	3 758 182	2 995 009
Telephone and call charges	3 180 505	3 094 665
Vehicle charges	17 798 332	9 890 870
The list above represent general expenditure above R1 million.		

	2008 R	2007 R
26 SURPLUS OF ASSOCIATE		
Share of retained profit on the equity method	0	0

	2008 R	2007 R
27 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP :		
27.1 Statutory Funds		
Balance previously reported:		
Asset Financing Fund		
Total	0	0
Implementation of GRAP		
Transferred to Capital Replacement Reserve		
Total	0	0

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

27.2 Non-Distributable Reserves

Balance previously reported:

Grants (FDR)

Donations and Contributions (FDR)

Asset Financing Reserve (FDR)

Total

0 0

Implementation of GRAP

Transferred to Government grants and reserves

Transferred to Donations and public contribution reserve

Transferred to Capitalization Reserve

Total

0 0

27.3 Property, plant and equipment

Balance previously reported

0 0

Implementation of GRAP

Infrastructure previously not recorded credited to Accumulated
Surplus/(Deficit)

Total

0 0

27.4 Accumulated Depreciation

Balance previously reported

0 0

Implementation of GRAP

Backlog depreciation: Land and buildings

Backlog depreciation: Infrastructure

Backlog depreciation: Community

Backlog depreciation: Other

Backlog depreciation: Housing Development Fund

Total

0 0

27.5 Accumulated Surplus/(Deficit)

Transferred from statutory funds

Transferred from Non-distributable Reserves

Transferred from Property, plant and equipment

Backlog depreciation

Total

0 0

Council has converted the accounting records from the old funds accounting method to GAMAP during the financial year ended 30 June 2003.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
28 CORRECTION OF ERROR		
28.1 Housing Development Fund		
Corrections previous year	0	0
	0	0
28.2 Capital Replacement Reserve		
Asset funding from Accumulated Surplus correction	0	0
Income allocation previous year correction	0	0
	0	0
28.3 Government Grants & Reserves		
Correction Offset Depreciation		
Asset funding from Donations & Public Contribution	0	0
Asset funding from Unappropriated Surplus	0	0
	0	0
28.4 Donations & Public Contribution Reserve		
Correction Offset Depreciation	0	0
Asset funding to Government Grants & Reserve	0	0
Asset funding from Unappropriated Surplus	0	0
Asset funding to Capitalization Reserve	0	0
	0	0
28.5 Capitalization Reserve		
Asset funding correction	0	0
Asset funding from Unappropriated Surplus	0	0
Asset funding from Donations & Public Contribution Reserve	0	0
	0	0
28.6 Accumulated (Surplus)/Deficit		
Asset funding to Capital Replacement Reserve	0	0
Asset funding to Government Grants Reserve	0	0
Asset funding to Capitalization Reserve	0	0
Asset funding to Donations & Public Contribution Reserve	0	0
Assets written off less than R2 000 previous years	0	0
Written off old suspense accounts	0	0
Adjustment Budget transfer to Income	0	0
Transitional Grant received from Local Government transferred from suspense account to accumulated surplus.	0	0
Stores shortages written off	0	0
Stores surpluses taken on.	0	0
Adjustments	0	0
Sundry expenditure previous year corrections	0	0
Sundry income previous year corrections	0	(1 032 557)
	0	(1 032 557)

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
29 CASH GENERATED BY OPERATIONS		
Surplus for the year	170 784 441	149 911 821
Adjustment for :		
Depreciation	50 292 722	44 573 257
Gain on disposal of property, plant and equipment	(949 461)	(833 768)
Contribution to provisions - current	(5 622 302)	1 924 747
Contribution to bad debt provision	46 452 168	72 034 070
Equity accounted share of associate's surplus	0	0
* Interest received	(69 222 994)	(50 116 891)
Interest paid	19 831 689	18 933 733
Operating surplus before working capital changes:	211 566 262	236 426 969
Decrease in inventories	(9 802 226)	1 174 925
(Increase)/decrease in debtors	(35 677 377)	(71 970 650)
(Increase)/decrease in other debtors	(48 315 629)	(26 689 387)
(Decrease)/increase in conditional grants and receipts	34 349 687	25 353 634
(Decrease)/Increase in creditors	3 922 016	9 621 071
Increase in short-term portion of long-term debtors	394 416	(271 664)
Increase in VAT	(9 413 640)	6 948 257
Cash generated by /(unauthor in) operations	147 023 509	180 593 155

	2008 R	2007 R
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial		
Bank balances and cash	59 235	32 667 396
Call investment deposits	225 596 384	180 692 249
Bank overdraft	(8 686 900)	0
Total cash and cash equivalents	216 968 719	213 359 645
Overdraft facilities available to Council amounted was not utilized during the year ended 30 June 2008		

	2008 R	2007 R
31 UTILIZATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 2)	160 955 934	170 693 238
Used to finance property, plant and equipment - at cost	160 955 934	170 693 238
Sub-total	0	(0)
Cash set aside for the repayment of long-term liabilities (see note 8 and 14)	7 751 917	6 930 133
Cash invested for repayment of long-term liabilities	7 751 917	6 930 133
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long term liabilities can be repaid on redemption date.		

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
32 UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL		
<u>32.1 Unauthorized expenditure</u>		
Reconciliation of unauthorized expenditure		
Opening balance	34 995	
Unauthorized expenditure current year		34 995
Approved by Council or condoned		
Transfer to receivables for recovery (Note 15)		
Unauthorized expenditure awaiting authorization	<u>34 995</u>	<u>34 995</u>
<u>32.2 Fruitless and wasteful expenditure</u>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	161 958	161 958
Fruitless and wasteful expenditure current year	3 895 000	0
Approved by Council or condoned		
To be recovered approximately- contingent asset	0	0
Fruitless and wasteful expenditure awaiting condonement	<u>4 056 958</u>	<u>161 958</u>
Penalties of R195 000 emanating from a late payment to South African Receiver Services. Overpayment to Alexandra Forbes on insurance premium for an amount of R2500 000. Possible fruitless expenditure to a Consultant for an amount of R1200 000		
<u>32.3 Irregular expenditure</u>		
Reconciliation of irregular expenditure		
Opening balance		
Irregular expenditure current year	26 939 994	
Condoned or written off by Council		
Transfer to receivables for recovery - not condoned		
Irregular expenditure awaiting condonement	<u>26 939 994</u>	<u>0</u>
<i>It emanates from an external loan which was acquired without following all necessary processes. A report will be submitted to Council for the change and approval. No criminal procedures will be needed as the institution agreed to cancel the loan.</i>		

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>33.1 Contributions to organized local government</u>		
Opening balance		
Council subscriptions		
Amount paid - current year		
Amount paid - previous years		
Balance unpaid (included in creditors)	0	0
<u>33.2 Audit fees</u>		
Opening balance		
Current year audit fee	1 923 641	1 447 637
Amount paid - current year	1 923 641	1 447 637
Amount paid - previous year		
Balance unpaid (included in creditors)	0	0
<u>33.3 VAT</u>		
VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.		
<u>33.4 PAYE and UIF</u>		
Opening balance	1 441 129	1 340 869
Current year payroll deductions	20 479 563	17 213 704
Amount paid - current year	20 295 699	15 772 576
Amount paid - previous year	1 441 129	1 340 869
Balance unpaid (included in creditors)	183 865	1 441 129
The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.		
<u>33.5 Pension and Medical Aid Deductions</u>		
Opening balance	4 160 159	4 160 159
Current year payroll deductions and Council contributions	59 885 447	41 190 993
Amount paid - current year	54 594 508	37 030 834
Amount paid - previous year	4 160 159	4 160 159
Balance unpaid (included in creditors)	5 290 938	4 160 159
The balance represents pension and medical contributions deducted from employees in the June 2008 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2008.		

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

33.6 Councilor's arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days at :

30 June 2008	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor Terblanche SP	395.62	396	
Councillor Mohale GJ	128.78	129	
Councillor Mothibedi LM	2 288.01	433	1 855
Total Councilor Arrear Consumer Accounts	2 812	958	1 855

30 June 2007	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor Dodovu TS	2 171	450	1 721
Councillor Mohoase PL	9 634	386	9 248
Councillor Pooe PR	269	167	102
Councillor Sethunya MP	16 068	4 591	11 477
Councillor Sishuba MS	238	234	4
Total Councilor Arrear Consumer Accounts	28 381	5 829	22 552

During the year the following Councilors had arrear accounts outstanding for more than 90 days

30 June 2008	<u>Highest Amount Outstanding</u>	<u>Ageing</u>
Councillor Terblanche SP	201	30 Days
Councillor Mohale GJ	306	90 Days
Councillor Mothibedi LM	1 855	90 Days
30 June 2007		
Councillor Dodovu TS	1 063	180 Days
Councillor Mohoase PL	8 678	180 Days
Councillor Pooe PR	349	90 Days
Councillor Sethunya MP	16 614	180 Days
Councillor Sishuba MS	370	90 Days

33.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

None

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

34 OPERATING LEASE COMMITMENTS	2008 R	2007 R
The Municipality's future minimum commitments on hire of photostat machines are as follows:		
Due within one year	561 647	561 647
Due between one and five years	252 163	813 810
Due after five years	0	0
	813 810	1 375 457
The Municipality's future minimum commitments on hire of vehicles are as follows:		
Due within one year	5 354 971	146 644
Due between one and five years	15 135 119	439 933
Due after five years	0	0
	20 490 090	586 578
Total lease commitments	21 303 900	1 962 035
During the 2007-2008 financial year Council entered into an operational lease with Fleet Africa for additional 55 vehicles		

35 EVENTS AFTER THE REPORTING DATE	2008 R	2007 R
Non current assets held for sale	0	0

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
36 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	130 543 150	74 455 725
Infrastructure	89 144 680	61 689 090
Community	35 624 770	4 817 630
Heritage		
Other	5 773 700	7 949 005
Housing Development Fund		
Investment Properties		
- Approved but not yet contracted for	0	5 000 000
Infrastructure	0	0
Community	0	2 000 000
Heritage	0	0
Other	0	3 000 000
Housing Development Fund		
Investment Properties		
Total	130 543 150	79 455 725
This expenditure will be financed from:		
- External Loans	10 128 940	13 330 730
- Capital Replacement Reserve	48 659 080	11 153 015
- Government Grants	71 755 130	54 971 980
- Own resources		
- District Council Grants		
	130 543 150	79 455 725

37 RETIREMENT BENEFIT INFORMATION

The Council and its employees contribute to various municipal pension funds, whilst Councilors contribute to the Pension Fund for Councilors. Both funds provide retirement benefits to the employees and Councilors respectively. Employees have a choice between a pension benefit and a gratuity benefit. Current contributions are levied against operating income based on current service costs. A full actuarial calculation is done at least every three years.

An amount of R26 447 338 was contributed by Council in respect of councilor and employees retirement funding. These contributions have been expensed. Certain employees were prevented from joining Council's retirement funds. In terms of Council's employment policies, an obligation to provide pensions exists. These amounts are expensed on payment.

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
38 CONTINGENT LIABILITY		
City of Matlosana/H C Marais		
Private house was damage due to a water leakage from Councils side.	600 000	230 000
City of Matlosana/North West Security Services t/a Cetronic Security Services		
Contract was cancelled with Cetronic Services. The amount payable is for services delivered after cancellation date.	0	60 000
City of Matlosana/Zeda Car Leasing(Pty) Ltd t/a Avis Fleet Services		
The vehicle which was leased by the international advisor was damage in a car accident. The contract was cancelled by the Council and Avis held Council responsible for the remaining period of the contract.	0	20 000
City of Matlosana/Cetronics		
The contract between the Council and Cetronics for the provision of security services was properly cancelled on 12 December 2002. Cetronics claimed R 95 000, the basis of their claim is not clear and the action is defended.	90 288	95 000
City of Matlosana/A H Mostert		
Me Mostert sue Council as a result of a motor accident in which one of Council's vehicle was involved. The case is defended on various grounds which favour Council.	44 293	44 293
City of Matlosana, Valuation Bord and City Valuers/Diggers Development		
The said firm sue Council for expenditure they claimed which they incurred during valuation bord sittings. Their directors were summoned to appear before the board.	0	98 000
City of Matlosana/Binneman		
Binneman collided with a fire truck when the driver of the fire truck on his way to a fire skipped a red robot. The case is defended on the basis that legislation indemnifies Council in such cases.	0	25 000
City of Matlosana/Sebogodi		
Claimant claim from Council alleging that the Fire Department was negligent.	355 593	355 593

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

City of Matlosana/ST Paul's Insurance Company

This action is based on performance guarantees for extensions 6 and 12 Khuma.

2 200 000 3 500 000

City of Matlosana/Metroprojects & Lapa Administration

More certificates for payment to DGD Construction was issued by the consulting engineer.

1 100 000 0

City of Matlosana/Toro ya Africa

This contract has been cancelled with Toro, but Council has suffered a loss of many millions of rand due to faulty performance of Toro in the execution of its contracts with Council, both in respect of Alabama Extension 3, and the Pilot Project, totalling some 7085 houses not built according to prescribed standards.

280 000 000 0

City of Matlosana/Theron Jordaan & Smit

This was an application by the above attorneys to be reinstated on the panel by Council.

500 000 0

City of Matlosana/Ninham Shand

This is an Application in the High Court in which Ninham Shand as one of several tenderers (bucket eradication tender) avers that the tender was incorrectly withdrawn, and that the Council's decision should be reviewed. On 25 April 2008 the application of Ninham Shand was dismissed with costs.

0 0

Council instructed Messrs Lourens, Bezuidenhout & Vermeir Attorneys some time ago to attend to the demolition of illegal structures at Orkney Vaal. Several court orders were obtained, and the illegal structures on these stands were removed by residents themselves.

0 0

City of Matlosana/ G Nieuwoudt

This was the previous owner of Orkney Vaal Resort who owes Council a total amount of approximately R1,5 million. We sequestered his estate, and must now proceed with an interrogation against him, the details of which we are in the process of finalizing with Advocate N Laubscher.

1 800 000 0

City of Matlosana/ Gericke & Rademeyer Chartered Accountants (SA)

This is an action against the above auditors for allegedly filing misleading financial statements with Council in respect of the financial position of the Klerksdorp Abattoir, and which financial statements induced the Council to extend credit to the Klerksdorp Abattoir to the Council's detriment, and which Council would not have granted, had it known the true financial position of the Klerksdorp Abattoir, leading to a financial loss by Council.

10 000 000 0

City of Matlosana/ ISAGO (N12 Development on western side of Klerksdorp)

This contract has been finalised, and the progress is being monitored. We await currently the subdivision of the land so that we can transfer the land to Isago for development thereof.

25 000 000 0

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

City of Matlosana/ N12 Route Development (N12 Development on eastern side of klerksdorp)

This contract is in its final form but must still be concluded. This matter was finalized during the Council Meeting held on 29 January 2008 via CC11/2008.

25 000 000 0

City of Matlosana/ Eldawill (Pty)Ltd

Appellant's application before the Township Boards that Council opposition

25000 000 000 0

City of Matlosana/ Jason Barrie

The erstwhile Orkney Transitional Local Council appointed Jason Barrie CC for the electrical works of the Orkney Sewerage Purification works. The contractor did not perform during the 'retention period and cannot, through Ingplan, was left with no other option but to appoint an independent contractor to do the necessary works during the retention period. Jason Barrie CC now sues council for R 245 000.

0 0

City of Matlosana/ Cybed Trading 0005CC

The claim of the plaintiff, Cybed Trading 0005 CC, Had been dismissed with costs after non compliance with court rules.

5 000 0

City of Matlosana/ Altel Security

Iheron, Jordaan & smitinc withdrew as attorneys of record on 31st March 2008, being two days prior to the trial day. The court ordered the plaintiff, being the City Council of Matlosana, to pay the wasted costs for the trial amounting to approximately R 5 500.00 of the defence due to the plaintiff not being ready to proceed on trial.

38 198 0

City of Matlosana/ Nedbank//The Sheriff Klerksdorp, City of Klerksdorp Metropolitan Municipality, The Body Corporate of Convent Land Properties, Christo Deon Coetzer

A notice of Motion was delivered to the Municipal Mnanger's office on the 5th of February 2008. On the 7th of February Council Wrote a letter to L'Ange De Waal & Freysen instructing them to attend to the Notice of Motion and ensure to protect Council's interest.

8 000 0

City of Matlosana/Gofrey Bethani - Case Number: J1136/99

Mr Bethani retired as council employee and maintains his claim that there is still outstanding pension money due to him in terms of a settlement agreement reached between Mr Bethani and the city council.

60 000 0

City of Matlosana/Fracis Behr

Mr Behr Summoned the Council for not transferring erf 3141 Orkney Extension 2 into his name as he paid an amount of R 13 500,00. The case was withdrawn.

13 500 0

City of Matlosana/D J Mokwebo & T J Manche

Instructions were given that Lease Agreements be cancelled and money be collected but the people could not be traced and Council now only has to terminate the contracts.

0 0

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

City of Matlosana/L O Monnamogolo

Summons was served on Mr Monnamogolo as he collided with the Council's vehicle. Mr Monnamogolo has made arrangements to pay off his debt monthly.

3 818 0

City of Matlosana/Diggers Development (Flamwood Walk)

The Application to amend the site Development plan in respect of the entrance of the Johannesburg road, as well as for the provision of additional parking base located on the road reserve were withdrawn by the Applicant.

0 0

City of Matlosana/K Masekela (Dark Diamond Proposals)

Wait for further instructions from Council. Still await the finalization from the Municipal Manager as resolved under Mayco resolution 25/2008 dated 21 January 2008.

100 000 0

City of Matlosana/J Fouche

Matter proceeds on an opposed basis - trial date for the 14th of August 2009.

0 0

City of Matlosana/Y Karim (Illegal renovations of Buildings) various illegal business / building projects (New)

Mr Karim's Attorneys, Messrs Ayoob Kaka Attorneys informed Council that Mr Karim is currently overseas and will only be in a position to revert to us on his return.

0 0

O O Meyer/H J Gerber & Munisipale Bestuurder, Stad van Matlosana

The Application to join the City Council as a party to the proceedings as well as the Application for Amendment of Summons was opposed and both Applications were postponed to the opposed court roll for the 7th of August 2008.

23 655 0

Kgalapa k Adam/ City of Matlosana & Mr de Jong & Mr Mojaki

Kgalapa an employee, instituted action against Council on the basis that Council did not report an injury to the Compensation Commissioner. There is sufficient proof in Council's file that the claim is false and the case is defended.

0 0

City of Matlosana / IC Labuschagne (Prospecting Rights)

Mr Labuschagne re-applied for prospecting rights which applications was accepted by the Department of Minerals & Energy on 13 June 2005. No new instructions so the attorneys closed the file.

0 0

City of Matlosana / African Bank

African Bank sued Council for R 98 000.00 on the basis of a cession of PCD in favour of African Bank. There is no basis for the claim which is defended but currently in the process of being settled. The files has been temporarily closed until further instructions.

0 0

City of Matlosana / Betty Manisa

A summons was brought against Council for the amount of R 38 590.00 for services delivered by me Betty Manisa (Catering) for a function Council held on the 16th of February 2006. Council appointed Mr Oosthuizen from De Kocks Attorneys per letter dated 1 February 2008, to defend the case. Council has decided to settle the case. The money was paid over to Me B Manisa.

38 590 0

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

City of Matlosana / Nicolaas Johannes Myburgh

A summons was brought against Council for the amount of R 1007 879.31. Mr N J Myburg is claiming money from Council for damages to his property due to fire. A plea has been filed by the Attorneys.

1 000 000 0

Eviction of illegal occupants - Alabama Extension 3

Attorneys await instructions from Council regarding those unlawful occupants who were lawfully evicted but re-occupied the houses once the Sheriff left. Further, since those occupants were lawfully evicted, they are now trespassing on Council property and the MM would have to delegate a Council official to lay charges of trespassing with the S.A.P.S.

4 576 000 0

Possible fraudulent transactions by an official, investigations in progress

295 000

39 CONTINGENT ASSET

R R

City of Matlosana/ST Paul's Insurance Company

This action is based on performance guarantees for extensions 6 and 12 Khuma.

0 3 500 000

City of Matlosana/Vision Meat

In this matter action is instituted for services rendered by the Klerksdorp Abattoir. No trial date has been set for this matter and pleadings are still exchanged.

0 60 000

City of Matlosana/Verobuild

Council applied for the liquidation of Verobuild CC for land sold in connection with various housing projects.

0 1 800 000

City of Matlosana/Metroprojects & Lapa Administration

More certificates for payment to DGD Construction was issued by the consulting engineer.

0 3 500 000

City of Matlosana/Meatforce Founders Trust

This is an action for the liquidated estate of the Klerksdorp Abattoir and from which Council will receive its dividend.

41 SUPPLY CHAIN MANAGEMENT POLICY

Due to insufficient record keeping it was not possible to determine if the accounting officer has deviated from the Supply Chain management policy of the municipality by acquiring goods in an emergency (refer Regulation 36(2) of the SCM Regulations).

42 RELATED PARTY TRANSACTIONS

A payment to the amount of R124 770.38 for goods and services rendered were made to Dirang Mmogo Construction of which Councillor I. Bondes is a director.

A payment to the amount of R 4 200 for goods and services rendered were made to Marionette Promotions of which Councillor M. Coetzee is a director. A payment to the amount of R11 000 for goods and services rendered were made to Bokamoso Business Enterprise of which Councillor R.P. Moleme is a director.

A payment to the amount of R1 302 047.16 for goods and services rendered were made to Molla Engineering of which Councillor Pitso ST a director. Bulk water is purchased from the section 21 company Midvaal Water to the amount of R75 215 872 for the year under review. The following Councillors are members of the executive authority of the Midvaal Water Company G.L. Sebuasengwe; O.R. Thabanchu; J. Douw

43 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2007	103 518 532	423 907 218	43 291 385	1 485 811	45 787 556	617 990 502
Cost	129 432 633	597 322 100	64 894 443	1 570 536	190 796 693	984 016 405
Correction of error	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Accumulated depreciation	(25 914 101)	(173 414 883)	(21 603 058)	(84 725)	(145 009 137)	(366 025 904)
- Cost	(25 914 101)	(173 414 883)	(21 603 058)	(84 725)	(145 009 137)	(366 025 904)
- Revaluation	0	0	0	0	0	0
						0
Acquisitions	18 774 527	142 834 471	8 207 638	0	15 447 137	185 263 773
Capital under Construction	0	0	0	0	0	0
Increases/decreases in revaluation	0	0	0	0	0	0
Depreciation	(2 702 644)	(32 383 234)	(2 143 807)	0	(13 063 036)	(50 292 722)
- based on cost	(2 702 644)	(32 383 234)	(2 143 807)	0	(13 063 036)	(50 292 722)
- based on revaluation	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	(452 702)	(452 702)
Cost/revaluation		0	0	0	(7 841 630)	(7 841 630)
Accumulated depreciation		0	0	0	7 388 928	7 388 928
Impairment losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
						0
Carrying values at 30 June 2008	119 590 415	534 358 454	49 355 216	1 485 811	47 718 954	752 508 850
Cost	148 207 160	740 156 571	73 102 081	1 570 536	198 402 200	1161 438 548
Revaluation	0	0	0	0	0	0
Accumulated depreciation	(28 616 745)	(205 798 117)	(23 746 865)	(84 725)	(150 683 246)	(408 929 697)
Cost	(28 616 745)	(205 798 117)	(23 746 865)	(84 725)	(150 683 246)	(408 929 697)
Revaluation	0	0	0	0	0	0

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2006	92 491 036	331 857 887	30 649 173	1 338 691	47 851 456	504 188 243
Cost	117 740 049	478 125 466	50 387 252	1 423 416	196 307 434	843 983 618
Correction of error						0
Revaluation						0
Accumulated depreciation	(25 249 013)	(146 267 580)	(19 738 079)	(84 725)	(148 455 979)	(339 795 375)
- Cost	(25 249 013)	(146 267 580)	(19 738 079)	(84 725)	(148 455 979)	(339 795 375)
- Revaluation						0
Acquisitions	13 865 061	127 919 247	15 440 814	147 120	11 599 024	168 971 267
Seperation Inventory from Assets						0
Capital under Construction						0
Increases/decreases in revaluation						
Depreciation	(2 332 077)	(27 730 730)	1 896 100	0	(13 195 610)	(41 362 318)
- based on cost	(2 332 077)	(27 730 730)	1 896 100	0	(13 195 610)	(41 362 318)
- based on revaluation						0
Carrying value of disposals	505 488	8 139 186	902 503	0	467 314	10 014 490
Cost/revaluation	(2 172 477)	(8 722 613)	(933 624)		(2 571 045)	(14 399 759)
Accumulated depreciation	1 666 989	583 427	31 121		2 103 731	4 385 269
Impairment losses						0
Other movements						0
						0
Carrying values at 30 June 2007	103 518 532	423 907 218	43 291 385	1 485 811	45 787 556	617 990 502
Cost	129 432 633	597 322 100	64 894 443	1 570 536	205 335 413	998 555 125
Revaluation	0	0	0	0	0	0
Accumulated depreciation	(25 914 101)	(173 414 883)	(21 603 058)	(84 725)	(159 547 857)	(380 564 624)
Cost	(25 914 101)	(173 414 883)	(21 603 058)	(84 725)	(159 547 857)	(380 564 624)
Revaluation	0	0	0	0	0	0

CITY OF MATLOSANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The revaluation surplus is reconciled as follows:

	2007 R	2006 R
Balance at beginning of year		
Surplus realized		
Balance at end of year	<u>0.00</u>	<u>0</u>

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 September 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009. The Council did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2007/08 financial year due to the exemption granted in Gazette 30013.

Furthermore assets to the value of R184 735 521 were transferred from the Dr Kenneth Kaunda District Municipality, these assets are not disclosed in these financial statements due to insufficient information received from the District Municipality regarding these assets.

9.2 INVESTMENT PROPERTIES

	2008 R	2007 R
Cost	5 392 196	5 392 196
Total Investment Properties	<u><u>5 392 196</u></u>	<u><u>5 392 196</u></u>

APPENDIX A
CITY OF MATLOSANA SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 1/07/2007	Received during the period	Redeemed written off during the period	Balance at 30/06/2008	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
			0			0		
Total long-term loans			0	0	0	0	0	0
ANNUITY LOAN								
Infrastructure Fin. Corp. @ 20%	53496	30-Sep-2006	0			0		
Development Bank of SA @ 17.2%	11846	30-Jun-2009	25 800		11 830	13 970		
Development Bank of SA @ 12%	JBC09588	30-Sep-2014	25 468 793		2 246 362	23 222 431		
Development Bank of SA @ 15%	NW10959	30-Sep-2017	6 211 583		268 695	5 942 888		
Development Bank of SA @ 15.25%	NW11182	30-Sep-2018	6 651 829		235 725	6 416 104		
Development Bank of SA @ 15.6%	NW13637	30-Sep-2020	3 736 778		90 352	3 646 426		
Development Bank of SA @ prime	NW13874/1	30-Sep-2019	6 666 667		555 556	6 111 111		
Development Bank of SA @ prime + 1.5%	NW13874/2	30-Jun-2019	14 998 125		0	14 998 125		
Development Bank of SA @ 11.5%	100395	30-Jun-2013	11 744 879		1 450 477	10 294 402		
Development Bank of SA @ 11.2%	101297/1	30-Jun-2019	25 436 959		1 079 183	24 357 776		
Development Bank of SA @ 11.2%	101297/2	30-Jun-2019	31 829 637		1 350 397	30 479 240		
INCA @ 12.25%	KLER-00-001	31-Dec-2013	10 982 194		1 186 019	9 796 175		
Absa @ 10.92%	3022364796	30-Jun-2009	101 116		47 843	53 274		
Absa @ 10.85%	3022364843	30-Jun-2010	44 732		13 348	31 384		
Absa @ 10.68%	3022364851	30-Jun-2012	4 274 724		684 902	3 589 822		
Absa @ 10.52%	3022364877	30-Jun-2014	535 502		54 825	480 676		
Absa @ 10.31%	3022364885	30-Jun-2017	643 388		38 959	604 428		
Absa @ 10.07%	3022364893	30-Jun-2022	4 685 752		141 499	4 544 253		
Absa @ 9.81%	3022364908	30-Jun-2032	16 654 781		281 332	16 373 448		
Total Annuity Loans			170 693 238	0	9 737 304	160 955 934	0	0
TOTAL EXTERNAL LOANS			170 693 238	0	9 737 304	160 955 934	0	0

*Note. The old IMFO accounting methods were inadequate to determine the carrying value of property plant and equipment for external loans raised

APPENDIX B
CITY OF MATLOSANA : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation				Accumulated Depreciation				CARRYING VALUE	BUDGET ADDITIONS 2008	
	Opening Balance 1/07/2007	Additions	Under Construction	Disposals	Closing Balance 30/06/2008	Opening Balance 1/07/2007	Additions	Disposals			Closing Balance 30/06/2008
Land and Buildings											
Land	44 696 888				44 696 888	2 007 857			2 007 857	42 689 031	0
Buildings	84 735 745	18 774 527			103 510 272	23 906 244	2 702 644		26 608 888	76 901 384	18 245 871
	129 432 633	18 774 527	0	0	148 207 160	25 914 101	2 702 644	0	28 616 745	119 590 415	18 245 871
INFRASTRUCTURE											
Electricity networks	153 004 823	2 620 593			155 625 417	54 338 060	7 474 451		61 812 511	93 812 905	15 477 056
Roads and stormwater	157 789 180	25 454 956			183 244 136	52 101 445	9 360 421		61 461 867	121 782 269	58 508 660
Water networks	96 889 800	15 305 294			112 195 094	32 522 945	4 660 657		37 183 601	75 011 493	24 527 215
Sewerage networks	169 854 151	90 596 408			260 450 559	26 870 148	9 010 425		35 880 573	224 569 986	114 524 554
Side walks	7 071 485	8 297 764			15 369 248	2 178 404	349 337		2 527 741	12 841 508	32 115 000
Taxiways	5 377 731	0			5 377 731	987 838	236 016		1 223 854	4 153 877	0
Security systems	7 334 930	559 456			7 894 386	4 416 042	1 291 928		5 707 970	2 186 416	580 000
	597 322 100	142 834 471	0	0	740 156 571	173 414 883	32 383 234	0	205 798 117	534 358 454	245 732 485
COMMUNITY ASSETS											
Buildings	50 303 844	7 981 322			58 285 166	16 420 307	1 479 361		17 899 668	40 385 497	31 692 900
Parks and Recreation	14 590 599	226 316			14 816 915	5 182 751	664 446		5 847 197	8 969 718	275 000
	64 894 443	8 207 638	0	0	73 102 081	21 603 058	2 143 807	0	23 746 865	49 355 216	31 967 900
HERITAGE ASSETS											
Museum	242 838				242 838	84 725			84 725	158 114	0
Statues	244 963				244 963				0	244 963	0
Historical buildings	713 407				713 407				0	713 407	0
Historical sites	19 591				19 591				0	19 591	0
Paintings	349 736				349 736				0	349 736	0
Sculptures	0				0				0	0	0
	1 570 536	0	0	0	1 570 536	84 725	0	0	84 725	1 485 811	0
OTHER ASSETS											
Office Equipment	21 365 072	3 186 872		2 123	24 549 821	11 022 928	3 884 778	(1 451)	14 906 256	9 643 565	4 799 224
Furniture	26 566 622	867 388		49 097	27 384 913	24 686 982	287 957	(49 097)	24 925 842	2 459 070	816 890
Containers	6 120 633	1 401 468			7 522 101	3 768 999	789 036		4 558 035	2 964 066	1 938 000
Emergency equipment	959 965	477 712			1 437 677	320 240	65 803		386 043	1 051 634	444 954
Vehicles	38 600 783	1 896 562		4 923 518	35 573 828	28 652 382	1 842 081	(4 745 177)	25 749 285	9 824 543	5 311 174
Watercraft	7 432				7 432	2 972	495		3 468	3 964	0
Plant & equipment	97 176 186	7 617 136		2 866 893	101 926 430	76 554 634	6 192 886	(2 593 203)	80 154 317	21 772 113	9 797 877
	190 796 693	15 447 137	0	7 841 630	198 402 200	145 009 137	13 063 036	(7 388 928)	150 683 246	47 718 954	23 108 119
INVESTMENT PROPERTIES											
Farms	2 367 580				2 367 580				0	2 367 580	0
Office parks	21 068				21 068				0	21 068	0
Housing	3 003 548				3 003 548		0		0	3 003 548	0
	5 392 196	0	0	0	5 392 196	0	0	0	0	5 392 196	0
TOTAL	989 408 601	185 263 773	0	7 841 630	1166 830 744	366 025 904	50 292 722	(7 388 928)	408 929 697	757 901 046	319 054 375